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Chairwoman Waters, Ms. Biggert, members of the subcommittee, and Mr. Taylor; good morning and welcome back to the Mississippi Gulf Coast. My name is Brian Sanderson, and on behalf of the Gulf Coast Business Council, I thank you for your continued attention and assistance to the people of Mississippi.

I work as president of the Gulf Coast Business Council, an organization comprised of over 170 of the top business and economic leaders in the three coastal counties of Mississippi. Most of our members are small business owners. Our mayors and presidents of the county boards of supervisors serve as ex-officio members of the organization along with our military base commanders, economic development professionals, chambers of commerce executives, regional planning directors, and port and airport directors. The Gulf Coast Business Council was formed in the wake of Hurricane Katrina to provide a unified, regional voice of business on important matters of public policy which affect the economic vitality and quality of life of our region.

No issue is more important to our region than affordable housing. It is a foundational issue and has been the priority issue for the Gulf Coast Business Council. In response to this unprecedented need, we have formed the Gulf Coast Renaissance Corporation, the mission of which I will explain in a moment.

Hurricane Katrina destroyed over 60,000 homes in our state and certainly the majority of those were here in the three Coast counties. Almost half of the rental units that existed in this area before the hurricane were completely destroyed or are now uninhabitable. Affordable housing is integral to any inclusive, sustainable community, and it is absolutely essential for the economic recovery of the Gulf Coast. Without affordable, safe, housing close to the major centers of employment, our projected economic growth will not be realized. The demand for skilled workers has never been greater, and their short supply is most often due to the lack of affordable housing within reasonable distances of work. Many of the over 10,000 workers who build the most advanced ships for our Navy and Coast Guard have limited or no housing options in the wake of Hurricane Katrina. Similarly, employees in the hospitality and gaming industry, oil and chemical industry, construction trades, first year school teachers, and emergency responders are facing unsustainable circumstances. While we are thankful for the temporary shelter provided by FEMA trailers, more permanent initiatives must be enacted.

The title of this hearing asks the question “why no progress”. I could not disagree more with your implication. Certainly you do not mean to suggest that the thousands of volunteers, faith-based and community action groups, and local, state, and federal officials have made no meaningful steps in rebuilding affordable housing in Mississippi. Thanks to Congress and the American people, our Governor has been able to give direct assistance to thousands of our residents to rebuild their homes in Phase I of the Homeowners Assistance Grant Program. Over 11,000 have received grants under this program and 84% have indicated that they plan to rebuild and remain on the Coast. Phase II of this program is limited solely to residents with household incomes below, on average, \$55,000. Over 2,000 rental units are being rebuilt in Mississippi with housing tax credits awarded by the Mississippi Home Corporation. These apartments will be available for families making 60% or less of the Area Median Income. Countless community organizations have also made significant investments in affordable housing: Enterprise Corporation of the Delta, the North Gulfport Community Land Trust, DASH, and grassroots efforts led by Bill Stallworth in east Biloxi and Wendy McDonald and Herb Dubuisson in Hancock County. These are tireless examples of the progress made in Mississippi.

The fairer question you pose today is “what are the obstacles to success”. The obstacles are significant. They can and will be overcome. The lack of affordable housing does not stem from lack of will or attention placed on it. Components which make housing affordable have been obstacles to developing it with the needed speed and scale. Four factors are most prominent: elevated land price, insurance costs and availability, increased construction material costs, and a shortage of construction labor. We have begun to see a retreat of material costs and are working on various efforts to increase the supply of construction labor. Continued federal funding and support for workforce training programs are crucial to meeting this need. Unless the property is owned by a public entity, land prices must be stabilized by market forces. The most significant increases in real estate prices have been in multi-family lots, multi-family developments, and lots of 10 or more acres.

The skyrocketing cost of insurance and its decreasing availability, however, are the most critical impediments. Standard property and casualty insurance is becoming more limited on the Mississippi Coast, and, in fact, statewide. Last week, State Farm, the largest insurer in our state, announced that it is suspending the writing of new property and casualty policies in the entire state. Plenty of debate exists on the merit of that decision, but the reality is that the Mississippi insurance market represents one-sixth of one-percent of all the property coverage written in the United States. We must create a stable environment which will attract good insurance companies to provide coverage in all parts of our state.

The Mississippi Windstorm Underwriters Association, commonly referred to as the “windpool” is designed to be the insurer of last resort for property owners in the six southern counties. For too many residents and businesses, it has become the insurer of only resort. Total insured value in the windpool was under two billion dollars before Hurricane Katrina. Today it totals over six billion dollars and is growing. As a result reinsurance costs and the losses paid after the storm, residential rates tripled, but have been decreased to a 90% spike thanks to the cooperation of our state and federal officials. Rates for small businesses,

however, have almost tripled with a 268% increase for commercial properties. Many small businesses simply cannot reopen with these prevailing rates. Multi-family developers have to charge on average an additional \$300 per month, per unit to cover the increases in their insurance rates. In a region with Area Median Incomes at around \$47,000, such increases are unbearable and unaffordable. The Gulf Coast Business Council drafted state legislation to stabilize the windpool, build its reserves, and affect greater stability in the standard market. While our state leaders are committed to passing this legislation, the only permanent solution lies with a federal insurance program for all catastrophic disasters. Congressman Taylor is working on important legislation to provide multi-peril coverage as part of the National Flood Insurance Act. We are supportive of these concepts and urge you to work with your colleagues in developing a national insurance program which offers some basic level of coverage in the event of a major catastrophe. Without it, our individual efforts will be stop-gap and dependent on the forces of the private market.

These are the major obstacles to developing affordable housing. Leadership, political will, and public attention are not the obstacles. Progress has been and continues to be made. If you are one of the thousands of Mississippians living in a FEMA trailer or driving three hours a day to work, however, progress is not fast enough.

I will conclude by telling you about the direct effort the Gulf Coast Business Council has undertaken to develop affordable, safe, attractive housing for the workforce of our area. As you understand, many faith-based organizations, national foundations, government programs, and community-based development corporations have begun important work in building affordable housing. A comprehensive, collaborative initiative, however, is necessary to build the significant numbers of homes in the three-county area at a much more rapid pace. To date, the efforts have been well-intentioned but piecemeal. The most housing construction starts in annual period for this region is just over 2,000. With the demand for tens of thousands of homes in this 2,400 square-mile area, the solution must be unprecedented in the history of our nation.

The Business Council has formed an independent, not-for-profit, private corporation named the Gulf Coast Renaissance Corporation. The Renaissance Corporation will create and implement a broad-based approach to land acquisition and development and redevelopment of single-family and multi-family housing units on the Coast, with a particular emphasis on work-force housing. It will develop strategic partnerships with national foundations, community-based organizations, corporations, financing institutions, governments, builders, land developers, and other stakeholders.

A large portion of the workforce in desperate need of affordable housing is households at 80% to 120% of the Area Median Income. This need is not being effectively met by existing state and federal programs and will be the focus of the Renaissance Corporation.

The Renaissance Corporation will marshal capital to bridge the gaps in financing land acquisition and construction costs so new units will be affordable to this population. Although we plan to raise capital from private donors, corporations, foundations and through

creative partnerships with local and state governments, the rebuilding effort will require an unparalleled commitment from the Department of Housing and Urban Development (“HUD”) in order to have any level of impact on this unprecedented market failure. A commitment of this nature will require flexibility within the HUD guidelines for the use of Community Development Block Grants (“CDBG”) or a new program tailored to this period of recovery. A historical parallel is found in the Reconstruction Finance Corporation established during the Great Depression and its similar use in the 1980s to solve the national savings and loan institutional crisis. The Marshall Plan for European recovery is another illustration of our nation developing a targeted program that ceases once the recovery is complete. In summary, private enterprise, even at little or no profit, cannot assemble land and build housing at a price affordable to this population group.

The Renaissance Corporation is developing a formula and framework for the use of public and private funds in an effort to maximize the number of workforce housing units produced and to ensure that the development of these units reflect responsible land use practices in the creation of sustainable communities. It will engage other entities to ensure complementary efforts by strengthening existing programs and offering programs that are not currently in place. Developments will adhere to mixed-income principles and seek to leverage public funds with private funds. Above all, the Renaissance Corporation will ensure fairness in housing and transparency in the process and structure.

The Renaissance Corporation will be led by an experienced President and CEO, Laura Davis. After March 2, she may be reached at 228-896-3386. The Renaissance Corporation will be supported by an advisory board that will bring together for regular forums non-profit groups, advocacy groups, housing authorities, policy and research organizations, government stakeholders, business and civic groups, and interested individuals. We expect the advisory board will include representatives from the entities such as public housing agencies, the Mississippi Center for Justice, Back Bay Mission, United Way, SOS Boat People, Oxfam America, Enterprise Corporation of the Delta, NAACP, and local financial and mortgage institutions.

I leave you with one specific request that, if granted, will provide greater housing options for workers in the 80% to 120% of Area Median Income. My request is that more flexibility be authorized for the use of public funds, namely CDBG, to serve the needs of the households which are above 80% of Area Median Income. Currently, they are limited to income levels below this target and are not available to meet the housing demands of thousands of workers in this population. Over the next two months as we develop our framework for the Renaissance Corporation, we will be proposing to you a creative and fiscally-sound approach to delivering workforce housing to the Mississippi Gulf Coast. It is our challenge to you to create today’s Marshall Plan by considering nontraditional approaches to the use of public funds. Your efforts are the critical piece in restoring hope to the families of the Mississippi Gulf Coast.

I thank you for being with us again and inviting me to share these thoughts with you, and I thank the American people for their continued support.